14 CV 6834

JUDGE CARTER

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JASON CLOSE, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. EZCORP, INC., PAUL E. ROTHAMEL, and MARK E. KUCHENRITHER, Defendants.	Case No. **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

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CASHIERS

Plaintiff Jason Close ("Plaintiff"), by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by EZCORP, INC. ("EZCORP" or the "Company"), with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by EZCORP; and (c) review of other publicly available information concerning EZCORP.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of purchasers of EZCORP securities between April 30, 2013 and July 18, 2014, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. EZCORP delivers cash solutions to customers across channels, products, services and markets. With approximately 1,400 locations and branches, the Company offers customers multiple ways to access instant cash, including pawn loans and consumer loans in the United States, Mexico, Canada and the United Kingdom. The Company offers these products through four primary channels: in-store, online, at the worksite, and through a mobile platform. At its pawn and buy/sell stores and online, the Company also sells merchandise, primarily collateral forfeited from pawn lending operations and used merchandise purchased from customers.

3. On July 18, 2014, after the market closed, MS Pawn Corporation ("MS Pawn"), the voting shareholder of EZCORP's class B voting common stock, issued a press release announcing the removal of Paul Rothamel as director, President, and Chief Executive Officer ("CEO"), William Love as Chairman of the Board of Directors, and Joseph Beal as director.

4. On this news, shares of EZCORP declined $1.36 per share, to close on July 21, 2014, at $9.76 per share, on unusually heavy volume.

5. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose, among others: (1) that the implementation of certain strategic and growth initiatives was less successful than represented; (2) that certain of the Company's business units and investments were not performing as well as represented; and (3) based on the foregoing, Defendants' positive statements about the Company's business, operations, and prospects, lacked a reasonable basis.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b) and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts

charged herein, including the preparation and dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

11. Plaintiff Jason Close, as set forth in the accompanying certification, incorporated by reference herein, purchased EZCORP common stock during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant EZCORP is a Delaware corporation with its principal executive offices located at 1901 Capital Parkway, Austin, Texas 78746.

13. Defendant Paul E. Rothamel ("Rothamel") was, at all relevant times, CEO and a director of EZCORP.

14. Defendant Mark E. Kuchenrither ("Kuchenrither") was, at all relevant times, Chief Financial Officer ("CFO") of EZCORP.

15. Defendants Rothamel and Kuchenrither are collectively referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the content of EZCORP's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after,

their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

16. EZCORP delivers cash solutions to customers across channels, products, services, and markets. With approximately 1,400 locations and branches, the Company offers customers multiple ways to access instant cash, including pawn loans and consumer loans in the United States, Mexico, Canada and the United Kingdom. The Company offers these products through four primary channels: in-store, online, at the worksite, and through a mobile platform. At its pawn and buy/sell stores and online, the Company also sells merchandise, primarily collateral forfeited from pawn lending operations and used merchandise purchased from customers.

Materially False and Misleading Statements Issued During the Class Period

17. The Class Period begins on April 30, 2013. On this day, the Company issued a press release entitled, "EZCORP Announces Second Quarter Results." Therein, the Company, in relevant part, stated:

> **Delivers Earnings in Upper Half of Guidance Range**
>
> EZCORP, Inc. (NASDAQ: EZPW), a leading provider of instant cash solutions for consumers, today announced results for its second fiscal quarter ended March 31, 2013.

For the quarter, total revenues were $272 million, a record for the Company. Net income was $34 million, and earnings per share were $0.63, within the Company's previously announced guidance range of $0.60 to $0.65.

EZCORP continued to execute its growth strategy of developing new stores, new channels and new products:

- New Stores — During the quarter, the Company opened 39 de novo locations, bringing total de novo stores opened in the first half of fiscal 2013 to 114. Including the 32 stores acquired during the first quarter, the Company has added 146 new locations so far this fiscal year. Combined, these locations, as well as the 153 other de novo locations opened in fiscal 2011 and 2012, are performing ahead of the Company's pro forma expectations.

- New Channels — The Company continues to develop and grow its payroll withholding lending business in Mexico through its Grupo Finmart subsidiary (doing business under the names "Crediamigo" and "Adex"), where total loans outstanding were up 37% year-over-year. And in the first full quarter since acquisition, the Company's U.S. online lending business more than doubled its total loans outstanding and is now offering loan products in five states. At quarter end, over 70% of the Company's non-pawn loan balances were attributable to payroll withholding and online lending.

- New Products — The Company continues to develop new short-term loan products to respond to customer demand and preferences and to address regulatory changes. In addition, the Company is now offering Western Union services in almost 650 locations in the United States and Canada, with roll-out to the remaining locations to be completed in the third quarter.

<u>Consolidated Financial Highlights — Second quarter of fiscal 2013 vs. prior year quarter</u>

- Total revenues were $272 million, up 6%, largely attributable to the acquisition of controlling interests in Grupo Finmart at the end of January 2012 and Cash Genie in April 2012 and the inclusion of 100% of their revenues in EZCORP's consolidated revenues.

- Net income was $34 million, down 9%, primarily attributable to the continuing challenging gold and jewelry environment. Excluding the impact of gold scrap, net income was up 6% compared to prior year quarter. The Company estimates the change in gold metrics (price and

volume) from the prior year quarter caused a deterioration of approximately $10 million in consolidated net revenues. The Company has provided supplemental information regarding the impact of the gold environment in the Investor Relations section of its website (www.ezcorp.com).

This decrease in net income follows a 22% year-over-year net income decline in the first quarter, and reflects expected improvement in trajectory largely attributable to the following:

- ○ The drag associated with the 111 de novo stores opened during the nine months ended December 31, 2012 improved during the quarter, as these stores approach profitability in line with the pro forma operating model.

- ○ Investments in IT and other infrastructure improvements, including decision science models and tools, led to direct improvements in bad debt and inventory management and other operational efficiencies, and contributed to the Company's ability to develop new products and services.

- ○ Aggressive expense management led to significant quarter-over-quarter improvement in corporate administrative expenses.

- The Company ended the quarter with $389 million in earning assets, an increase of 25%, driven primarily by increases in consumer loans in Mexico, as well as inventory and pawn loans in the U.S. and Mexico. Earning assets consist of pawn loans, consumer loans and inventory on the balance sheet, combined with CSO loans not on the balance sheet.

- Cash and cash equivalents, including restricted cash, at quarter-end were $43 million, with debt of $172 million, including $98 million Crediamigo third party debt, which is non-recourse to EZCORP.

<u>U.S. & Canada — Strong Growth in Loan Balances</u>

- *De Novo Growth* — During the quarter, the Company added 12 new locations in the U.S. & Canada segment. During the first half of fiscal 2013, the Company added a total of 75 locations in the U.S & Canada segment, consisting of 22 pawn stores and 53 financial services locations.

- *Pawn* — The Company's U.S. Pawn & Retail business, consisting of 499 stores in 21 states, continued to perform well in a challenging gold and jewelry environment. Excluding the impact of expected declines in the gold scrapping business, the core pawn loan and merchandise sales business posted solid year-over-year gains.

- Pawn loan balances were $120 million at quarter end, reflecting 10% growth in total and 3% on a same store basis. The overall pawn loan portfolio continues to reflect the ongoing shift to general merchandise collateral, with general merchandise loan balances up 12% in total and 9% on a same store basis. Even in the challenging gold and jewelry environment, jewelry loan balances increased 3% in total and 1% on a same store basis, and jewelry continues to constitute approximately two-thirds of the total loan portfolio.

- Pawn service charges increased 8% in total and 3% on a same store basis. This increase is largely attributable to operational efficiencies driven by infrastructure investments the Company has been making for the past several quarters.

- Redemption rates were 84%, up from 83% a year ago. The jewelry redemption rate increased 100 basis points to 87%, while the general merchandise redemption rate decreased 100 basis points to 78%.

- Merchandise sales increased 2% in total, but decreased 4% on a same store basis. These results reflect the continuing softness in the jewelry retail market, as well as the delay in this year's federal tax refunds. Gross margin on merchandise sales was 41%, which was flat to the same quarter last year.

- *Financial Services* — The U. S. financial services business now consists of 490 storefront locations in 16 states and online lending in five states. The Company is now offering financial services products, in storefronts, online or both, in a total of 17 states.

  - Total loan balances were $38 million, up 13%. Customers continued to shift from first generation loan products (traditional payday and installment loans) to second generation single payment, multiple payment and auto title loan products. Balances related to these products increased approximately 57%, driven by auto title loans. In a challenging regulatory environment, loan balances in Texas grew 7%. Total loan balances outside of Texas grew 17%, driven by new locations and new products.

  - Fees were $42 million, up 3%, reflecting loan growth in new states and the addition of online lending, somewhat offset by the shift to lower-yielding products and the challenging regulatory environment in Texas.

- Bad debt as a percentage of fees was 15%, up 150 basis points, driven by the growth in new stores and new products, as well as higher bad debt experience from online generated loans.

- The profitability of the financial services business was negatively impacted by approximately $1 million during the quarter as a result of ordinances enacted in Dallas, San Antonio and Austin.

- *Online Lending* — As expected, the U.S. online business negatively impacted earnings per share by $0.03 during the second quarter. The Company expects a similar earnings drag in the third quarter, but expects that the business will cross over to profitability by the end of the fiscal year. During the second quarter, the U.S. online business more than doubled its loan book and increased its average loan size. The Company is now offering online loans in five states and is on track to be offering online loan products in 12 to 15 states by the end of the fiscal year.

Latin America — Strong Increase in Segment Contribution

Contribution from the Latin America segment increased 133% and now accounts for over 10% of consolidated segment contribution, up from less than 4% a year ago.

- *Pawn* — Empeno Facil, the Company's Mexico pawn operation, continued its strong performance. At the end of the quarter, the Company operated 277 pawn stores in Mexico, 72 of which have been open less than 12 months. Full-line format locations (which make up 81% of all Empeno Facil locations), regardless of age, are running well ahead of the Company's investment model.

    - During the quarter, Empeno Facil added 23 new de novo locations for a total of 47 during the first half of the fiscal year.

    - Pawn loan balances grew to $19 million, up 39% in total and 21% on a same store basis. General merchandise loan balances grew 48% in total and 25% on a same store basis, while jewelry loan balances decreased 11% in total and 24% on a same store basis. General merchandise loans now comprise 84% of Empeno Facil's pawn loan portfolio, up from 79% last year.

    - Pawn service charges increased 36% in total and 17% on a same store basis, reflecting significant operational improvements from the Company's increasingly experienced Mexican storefront teams.

  - Merchandise sales increased 37% in total and 12% on a same store basis. Gross margin on merchandise sales was 41%, down 190 basis points from a year ago, reflecting more aggressive pricing.

- *Payroll Withholding Lending* — Grupo Finmart, the Company's Mexico payroll withholding lending business (now doing business under two names, Crediamigo and Adex), continues to gain market share through the addition of new contracts and increased contract penetration.

  - Total loan balances at the end of the quarter were $91 million, up 37%.

  - Grupo Finmart added four new employer contracts during the quarter, and has increased its contract penetration rates by 500% since March 31, 2012.

  - Net revenues were $13 million in the quarter, with bad debt as a percentage of fees less than 1%.

Other International — Highlighted by Cash Converters International's Strong Performance

- In February, Cash Converters International Limited, the Company's strategic affiliate in Australia, announced that it had achieved a 39% increase in net income during the first half of its fiscal 2013 (ended December 31, 2012), which resulted in a 43% contribution increase to EZCORP's results in its second quarter (ended March 31, 2013). The net income increase was due principally to strong growth in Cash Converters International's personal loan business in Australia and the U.K.

- Albemarle & Bond Holdings PLC, the Company's strategic affiliate in the U.K., announced a 31% decrease in net income during the first half of its fiscal 2013 (ended December 31, 2012), mainly due to a reduction in gold buying profits. In addition, Albemarle & Bond recently announced that it expected profits for the full year (ending June 30, 2013) to be materially below current market expectations, citing further reductions in gold buying profits and pressure on its pawn loan business due to the challenging gold environment and increased competition.

- The Company's combined equity investments in Cash Converters International and Albemarle & Bond generated a 10% decrease in earnings attributable to EZCORP for the quarter, as compared to the same period last year.

CEO Commentary

> Paul Rothamel, EZCORP's President and Chief Executive Officer, stated: "The second quarter shows the trajectory that we originally planned this year. Our year-over-year earnings decline moderated significantly during the quarter, and we expect to deliver year-over-year earnings growth by the end of the year and to return to double-digit earnings growth next year. This improvement is the direct result of investments we have made to deliver new stores, new channels and new products, and we believe those investments will continue to pay off in the form of net income growth."
>
> **Company Outlook**
>
> The Company affirms its fiscal 2013 earnings per share guidance of \$2.55 to \$2.80, and currently expects earnings per share for the third quarter of fiscal 2013 to be between \$0.47 and \$0.52. The Company believes its performance, in year-over-year comparison terms, will improve each quarter for the rest of fiscal 2013, and expects to return to year-over-year earnings growth in the second half of the year. A continuation of the challenging gold environment and the unfavorable financial services regulatory environment in Texas will likely lead to earnings in the lower end of the guidance range.

18. On May 10, 2013, EZCORP filed its Quarterly Report with the SEC on Form 10-Q for the 2013 fiscal second quarter. The Company's Form 10-Q reaffirmed the Company's financial results previously announced on April 30, 2013.

19. On July 30, 2013, the Company issued a press release entitled, "EZCORP Announces Growth in Revenues and Earning Assets for its Fiscal Third Quarter of 2013 Results." Therein, the Company, in relevant part, stated:

> **EZCORP continues to execute on its strategic plan as the market leader in delivering easy cash solutions through its growing store fronts, online channels, and expanding product lines**
>
> EZCORP, Inc. (NASDAQ: EZPW), a leading provider of easy cash solutions for consumers, announced total revenues from continuing operations for its third fiscal quarter ended June 30, 2013 increased 5% to \$235 million. Excluding gold scrapping revenues, total revenues were up 13%. Earning assets increased 21% over last year. Net income from continuing operations was \$16 million, or \$0.29 per share. The negative impact of the gold marketplace in the quarter was roughly \$10 million in net income and \$0.18 in earnings per share. The quarter also included one-time charges related to expense reduction in continuing operations and other investment costs, which reduced earnings per share by \$0.02.

During the quarter, the company implemented a plan to exit certain components of its business and close over 100 legacy stores that did not fit the company's future growth profile. In connection with the reorganization, the company recorded a charge of $21 million net of taxes, or $0.40 per share, resulting in a total net loss for the quarter of $6 million, or $0.11 per share.

The company also continued its strategic plan to diversify geographically, add new channels, and broaden its product lines. So far this fiscal year, the company has added 172 locations, 93 of which are outside the United States; has introduced multiple new products to serve both domestic and international customers; and has added a U.S. online lending channel to complement its existing U.K. online lending business.

The following metrics refer to continuing operations, unless otherwise noted. The store count activity attached does not exclude the stores that are part of the discontinued operations.

Consolidated Financial Highlights — Third Quarter of Fiscal 2013 vs. Prior Year Quarter

- Total revenues were $235 million, an increase of 5%, representing growth across all business segments. Excluding gold scrapping, total revenues were up 13%.

- Earning assets (which consist of pawn loans, consumer loans and inventory on the balance sheet, combined with CSO loans not on the balance sheet, net of reserves) were $416 million, an increase of 21%. This was a result of increases in all categories of earning assets, including pawn, payday, installment, and auto title loans, as well as inventory in the U.S. and Mexico.

- Net income declined mainly due to the previously announced impact of volatility in the gold market in both the U.S. and Mexico, which caused a deterioration of approximately $15 million in consolidated net revenues. It was also impacted by one-time investment, and expense reduction costs of $2 million. Net income from continuing operations was $16 million, down 48%.

- Cash and cash equivalents, including restricted cash, were $51 million at quarter-end, with debt of $232 million, including $109 million of Grupo Finmart third-party debt, which is non-recourse to EZCORP.

U.S. & Canada — Growth in Loan Balances

- *De Novo Growth* — During the quarter, the company added 5 new locations in the U.S. & Canada segment. During the nine-month period

ended June 30, 2013, the company added a total of 80 locations in the U.S. & Canada segment, consisting of 24 pawn stores and 56 financial services locations.

- *Pawn* — The U.S. Pawn & Retail business, which consists of 501 stores in 21 states, continued to be challenged by the gold environment. Core non-gold loan and merchandise sales posted solid year-over-year gains.

    - Pawn loan balances were $137 million at quarter end, up 2% from the prior year quarter. General merchandise loan balances were up 11% in total and 9% on a same store basis, and jewelry loan balances declined 8% in total and on a same store basis and continue to constitute approximately 60% of the total loan portfolio.

    - Revenues from pawn service charges increased 5% in total and 2% on a same store basis.

    - Redemption rates were 84%, up from 83% a year ago, in spite of a significant increase in the company's loan-to-value ratio. The jewelry redemption rate increased 100 basis points to 87%, while the general merchandise redemption rate remained at 77%.

    - Merchandise sales increased 9% in total and 5% on a same store basis. Gross margin on merchandise sales was 41%, unchanged from the same quarter last year. Online retail accounted for 6% of total U.S. sales during the quarter, compared to less than 1% for the same period last year.

- *Financial Services* — The U.S. financial services business now consists of 492 storefront locations in 15 states and online lending in five states. The company is now offering financial services products, in storefronts, online or both, in a total of 17 states, which reinforces its stated strategy of becoming a geographically diverse, multi-channel, multi-product provider.

    - Total loan balances, including U.S. online loans, were $44 million, up 22%. Storefront loan balances alone, were up 19%. Balances related to second generation single payment, multiple payment and auto title loan products were up approximately 48%, driven by auto title loans, as customers continued to shift from first generation to second generation loan products. Total loan balances, including online loan balances, outside of Texas grew 22%, driven by new locations and new products. Loan balances, including online loan balances, in Texas grew 21%.

  - Loan fees were $38 million, up 7%, reflecting loan growth in new states and the addition of the new U.S. online lending channel.

  - Bad debt as a percentage of fees was 25%, up 100 basis points, driven by the expected higher bad debt from online loans.

  - Local and federal regulatory changes negatively impacted the profitability of the financial services business by approximately $1 million during the quarter. Regulatory impact over the first nine months of the year was roughly $3 million.

  - The U.S. online business continued to grow, and the loan book increased by 63% over the previous quarter. The company now offers online loans in five states, after successfully transitioning from the export lending model to the state-by-state compliant model. This business negatively impacted earnings per share by $(0.03) during the third quarter, and by $(0.07) year-to-date. The company has increased its marketing efforts in an effort to accelerate loan growth, and now expects this business to cross into profitability in the first half of fiscal 2014.

- *Cash Converters U.S. and Canada* — The company's Cash Converters operations in the U.S. and Canada now include 47 stores (40 in Canada and 7 in the U.S.), plus another 8 franchise stores in Canada. The company expects this group of stores to positively impact segment contribution beginning in the fourth quarter of fiscal 2013.

<u>Latin America — Strong Increase in Segment Contribution</u>

Contribution from the Latin America segment increased 79%, excluding the one-time purchase accounting adjustment related to the refinancing of Grupo Finmart debt in the prior year quarter. Including this adjustment, segment contribution decreased 21%. The segment now accounts for 14% of consolidated segment contribution, up from 13% a year ago.

- *Pawn* — Empeño Fácil, the company's Mexico pawn operation, operated 235 stores in Mexico at the end of the quarter.

  - During the quarter, Empeño Fácil added 15 new de novo locations for a total of 62 thus far in fiscal 2013.

  - Pawn loan balances grew to $16 million, up 30% in total and 18% on a same store basis. General merchandise loan balances grew 42% in total and 18% on a same store basis, while jewelry loan balances decreased 20% in total and 36% on a same store basis.

General merchandise loans now comprise 92% of Empeño Fácil's pawn loan portfolio, up from 87% last year.

- Revenue from pawn service charges increased 39% in total and 17% on a same-store basis.

- Merchandise sales increased 44% in total and 18% on a same store basis. Gross margin on merchandise sales was 39%, down 500 basis points from a year ago, reflecting more aggressive pricing.

- *Payroll Withholding Lending* — Grupo Finmart continues to gain market share through the addition of new contracts, multi-channel growth, and increased contract penetration. During the quarter, Grupo Finmart also completed a $30 million cross-border debt offering at 8.5%.

  - Total loan balances at the end of the quarter were $98 million, up 53%.

  - Net revenues were $13 million in the quarter, with bad debt as a percentage of fees of 5%, which improved 100 bps over the prior year quarter.

  - Grupo Finmart added 17 contracts during the quarter representing 240,000 employees. Contract penetration across all convenios was 5.6% in the quarter, compared to 3% in the prior year quarter.

  - Subsequent to the end of the quarter, Grupo Finmart was granted access to the Mexican Social Security Institute (Instituto Mexicano del Seguro Social or "IMSS"), which will allow it to offer payroll deduction loans to Mexican retirees of the private sector. This is a very important and stable market in Mexico and includes 90,000 direct employees, and 2.5 million people collecting pensions or social security.

<u>Other International — U.K. Online Business Growing</u>

- Loan balances at Cash Genie, the company's U.K. online lending business, increased 9% over the second quarter and more than doubled from a year ago. Net fee revenue increased 50% over last year, and the company is now offering installment loans, broadening its product offerings.

- The company's combined equity investments in Cash Converters International and Albemarle & Bond generated a 3% increase in earnings attributable to EZCORP for the quarter, as compared to the same period last year.

Discontinued Operations

During the third quarter, the company implemented a plan to exit certain components of its business and close over 100 legacy stores. These stores are generally older, smaller stores that did not fit the company's future growth profile.

* * *

Growth Strategy Update

- *New Stores in Key Markets* — The company opened 20 de novo locations, bringing total de novo stores opened so far in fiscal 2013 to 134. Including acquisitions, the company has added 172 locations this fiscal year.

- *New Channels* — Loan balances at Grupo Finmart grew 53% year-over-year. Online loan balances within the U.K. grew 170% over the same quarter last year. At quarter end, 40% of the company's loan balances were attributable to loans other than pawn loans or payday loans, compared to 32% a year ago. Online retail accounted for 6% of total U.S. sales during the quarter, compared to less than 1% for the same period last year.

- *New Products* — The company continues to develop new products to respond to customer preferences and regulatory changes. Both online lending businesses added installment products. The company launched its partnership with Western Union, and is now successfully retailing inventory online.

CEO Commentary

"We are pleased to report strong consolidated revenues for the third fiscal quarter, particularly in the face of the volatile gold market. And our non-gold businesses are performing very well. While the customer is certainly impacted by the current macro trends, they continue to pick us as their preferred provider of cash, as evidenced by our significant, consistent growth in earning assets," said Paul Rothamel, EZCORP's President and Chief Executive Officer.
"Our team members have remained committed to our vision, and as a result of their hard work, we continue to make progress in diversifying our business across geographies, products and channels."

"Looking ahead, we are confident that our size, scale and industry expertise are significant competitive advantages over the long term. We intend to continue to grow by providing our customers with the products and services they want, when they want and how they want, and we expect to be a market leader in the communities we serve for decades to come," said Rothamel.

20. On August 9, 2013, EZCORP filed its Quarterly Report with the SEC on Form 10-Q for the 2013 fiscal third quarter. The Company's Form 10-Q reaffirmed the Company's financial results previously announced on July 30, 2013.

21. On November 7, 2013, the Company issued a press release entitled, "EZCORP Reports 2013 Revenues of More than $1 Billion." Therein, the Company, in relevant part, stated:

> EZCORP, Inc. (NASDAQ: EZPW), a leading provider of easy cash solutions for consumers, announced that for the fiscal year ended September 30, 2013, total revenues were $1.01 billion, a record for the company. Net income from continuing operations attributable to EZCORP was $57 million.
>
> EZCORP's core lending and retail businesses in the United States and Latin America showed continued strength, highlighted by the following:
>
> - Merchandise sales in the U.S. increased 7% during the year, as the company continued to diversify its retail channels. Online sales, primarily of general merchandise, totaled $19 million during the year, and now account for 8% of general merchandise retail sales in the U.S.
>
> - Total loan balances in the company's U.S. Financial Services division (including online loans) were up 29%, including 23% growth in storefront loans. Loan fees were up 7%, offsetting the negative impact of various regulatory changes that reduced net income by $7 million.
>
> - Latin America's segment contribution improved 40% during the year, after normalizing the prior year's results for a $16 million positive purchase accounting adjustment. This significant growth was driven by strong performance in the company's Mexico payroll withholding lending business (Grupo Finmart), where loan balances increased 46% during the year and total revenues increased 89%.
>
> For the fiscal year, the combined effect of reduced gold volumes and the gold price decline had a $31 million negative impact on the company's after tax earnings. The company's fiscal year results also included $35 million of one-time charges, including an impairment charge of $29 million on the company's long-term investment in Albemarle & Bond Holdings, PLC, a gold and jewelry pawnbroker in the U.K. In addition, investments in long-term growth initiatives (including the company's online lending businesses in the U.S. and the U.K. and denovo growth) further negatively impacted earnings by $20 million.

The following metrics refer to continuing operations, unless otherwise noted.

Consolidated Financial Highlights — Fiscal Year ended September 30, 2013 versus the prior year

- Total revenues exceeded $1 billion, a record for the company. Excluding jewelry scrapping, total revenues grew 14%, driven by a 24% increase in consumer loan fees, an 11% increase in merchandise sales, and an 8% increase in pawn service charges.

- Net income from continuing operations attributable to EZCORP was $57 million, while diluted earnings per share from continuing operations attributable to EZCORP were $1.06.

- Cash and cash equivalents, including restricted cash, were $42 million at year-end, with long-term debt of $246 million, including $105 million of Grupo Finmart third-party debt, which is non-recourse to EZCORP.

- Net earning assets, including discontinued operations, were $466 million, a 20% increase over last year. Net earning assets consist of pawn loans, consumer loans and inventory on the balance sheet, combined with CSO loans not on the balance sheet, net of reserves. The growth in net earnings assets was driven by a 35% increase in loan balances in our combined financial services businesses, and a 13% increase in earning assets related to our pawn and retail businesses.

Fiscal Year 2013 Business Review

U.S. & Canada

- *Storefront Growth* — At year end, the company operated over 1,000 locations in 26 states. During the year, the company opened 84 de novo stores, and acquired 12 stores in key markets.

- *Pawn* —

  - Pawn loan balances increased to $143 million from $141 million for the prior year, and revenues from pawn service charges increased 5% in total and 2% on a same store basis. General merchandise loan balances grew by 11%, while jewelry loan balances declined 6%.

  - Overall merchandise sales were up 7% in total and 3% on a same store basis. General merchandise sales increased 10% in total and 6% on a same store basis. The company's online retail channel continued to grow, and reported $19 million in revenues primarily in general

merchandise sales, for the fiscal year. During the year, jewelry sales decreased 1% in total and 4% on a same store basis. However, in the fourth quarter, jewelry sales increased 18% in total and 14% on a same store basis, reflecting our previously announced strategy to sell more gold through our retail channel and scrap less.

- Gross margin on merchandise sales was 41%, down 130 basis points from last year. This decrease was driven by a higher mix of general merchandise sales as general merchandise gross margin remained flat at 40% while gross margin on jewelry sales was 45%.

- The overall redemption rate was 83%, up 80 basis points, driven by a jewelry redemption rate of 86%, up 150 basis points. Redemption rates for general merchandise were at unchanged at 76%.

- *Financial Services (Storefront and Online) —*

  - Total loan balances (including CSO loans not on the balance sheet) were $51 million, up 29%, driven by a 70% increase in second generation loan products (such as installment and other multiple payment products and auto title loans). Storefront loan growth was strong as well, increasing 23%.

  - Loan fees were $175 million, up 7%, as a result of new products in existing stores, storefront growth, and new fees from the U.S. online lending channel.

  - Bad debt as a percentage of fees was 25%, an increase of 300 basis points as we attracted new customers and our customers transitioned to our new multi-payment products, including auto title and our online channel.

  - The U.S. online business's loan book continues to grow and at year end was $2 million, net of reserves. While this business negatively impacted segment contribution in 2013, it is expected to make a positive contribution in fiscal 2014.

Latin America

The Latin America segment contribution was $27 million, a 40% increase over the prior year after normalizing for the prior year's purchase accounting adjustments. This increase was driven by strong performance at Grupo Finmart, the company's payroll withholding lending division.

- *Payroll Withholding Lending —*

  - Total loan balances at Grupo Finmart at the end of the year were $107 million, up 46%.

  - Total revenue was $52 million, an increase of 89%, as a result of better contract terms and better penetration. Net revenues, including a credit for aged consumer loans that were sold, were $53 million. Absent this credit, bad debt as a percentage of fees was approximately 2%.

  - Grupo Finmart ended the year with 72 active convenios, compared to 67 at the end of last year. Contract penetration across all convenios was 6% for the year, compared to 3% in the prior year.

- *Pawn* —

  - Empeno Facil, the company's Mexico pawn operation, opened 66 locations during the year and operated 239 stores at the end of the year. As previously announced, the company closed 57 legacy, gold-only stores during the year, which is a part of the discontinued operations charge.

  - Pawn loan balances at year-end were $14 million, a 10% decrease from the prior year-end. General merchandise loan balances were down 4%, while jewelry loan balances decreased 31%. General merchandise loans now comprise 92% of Empeno Facil's pawn loan portfolio, up from 89% last year.

  - Revenue from pawn service charges increased 29% in total and 10% on a same store basis.

  - Merchandise sales increased 40% in total and 10% on a same store basis. Gross margin on merchandise sales was 39%, down 700 basis points from a year ago, reflecting a much more competitive lending and selling marketplace.

Other International

- At fiscal year end, after reviewing the valuation of our holdings in Albemarle & Bond Holdings PLC, we recognized an impairment charge of $43 million ($29 million net of tax).

- Cash Genie, the company's online lending operation in the U.K., performed well during the second and third quarters of the year, but a poorly executed introduction of an installment loan product caused performance to deteriorate in the fourth quarter. The company took rapid action to improve performance and is on track to return to profitability in fiscal 2014.

CEO Commentary

Paul Rothamel, EZCORP's President and Chief Executive Officer, stated: "Obviously, we are disappointed with our financial results in 2013, particularly after posting three straight years of record revenue and net income. We are committed to improving the operational performance of our existing businesses, including our recently acquired online lending businesses. We are confident that our consistent execution against that commitment will ensure that we will deliver superior long-term value to our shareholders."

22. On November 27, 2013, EZCORP filed its Annual Report with the SEC on Form 10-K for the 2013 fiscal year. The Company's Form 10-K was signed by Defendants Rothamel and Kuchenrither, and reaffirmed the Company's financial results previously announced on November 7, 2013.

23. On January 28, 2014, the Company issued a press release entitled, "EZCORP Reports First Quarter Revenues of $269 Million and Earnings Per Share of $0.42." Therein, the Company, in relevant part, stated:

EZCORP, Inc. (NASDAQ: EZPW), a leading provider of easy cash solutions for consumers, today announced its financial results for its first quarter of fiscal 2014.

For the quarter, total revenues were $269 million with net income of $23 million and earnings per share of $0.42. Excluding the negative impact of the company's minority investment in Albemarle & Bond and losses related to the company's immature online lending businesses, net income was $27 million and earnings per share were $0.49, both non-GAAP measures.

Paul Rothamel, EZCORP's President and Chief Executive Officer, stated, "I am pleased with our consolidated financial results this quarter and our underlying revenue and expense trends in our core U.S. and Latin America pawn and financial services businesses. Additionally we saw solid quarter-over-quarter progress in our newer online lending and selling channels. Most encouraging is that in a soft U.S. holiday shopping environment we delivered same-store sales growth of 8% in the quarter with jewelry same-store sales up 29% at very healthy margins. Online sales grew 21% as well and accounted for 9% of our overall sales volume."

Consolidated Financial Highlights

- Total revenues were $269 million compared to $273 million in the same period last year. Excluding gold scrapping, total revenues were up 6%, driven by strong retail sales and consumer loan fee growth in the United States and Mexico.

- Net income for the quarter was $23 million, net of a $1 million impact from Albemarle & Bond and a $3 million impact from the company's online lending businesses. The $27 million of net income before those impacts was driven primarily by the company's U.S. storefront businesses, which accounted for 82% of total adjusted segment contribution. The company's Latin America segment accounted for 14% of total adjusted segment contribution in the quarter.

- Earning assets were $471 million at quarter-end, an increase of 13%, as a result of growth in payroll withholding, installment, and auto title loans, as well as inventory in the U.S. and Mexico. Net inventory was $143 million, a 19% increase over the same period last year, as the company executed against its strategy to drive jewelry retail sales rather than scrapping. The second quarter is typically the highest retail selling quarter of the year.

- Cash and cash equivalents, including restricted cash, were $45 million at quarter-end, with debt of $252 million, including $106 million of Grupo Finmart third-party debt, which is non-recourse to EZCORP.

- The effective tax rate was 30% compared to 33% for the same period last year, as the company continued to diversify its operations worldwide.

<u>U.S. & Canada</u>

Pawn —

- Merchandise sales increased 12% in total and 8% on a same-store basis driven by strong performance in storefronts and online. Gross margin on merchandise sales remained strong at 40%, with only a 100 basis point decrease from the same quarter last year as the company aggressively pursued market share.

- Jewelry sales increased 33% in total and 29% on a same-store basis, with gross margin of 45% compared to 46% last year, due to improved presentation, pricing and promotions at the company's 489 storefronts. This strong performance compares very favorably to traditional retail jewelers in the U.S. who generally reported mid-single digit same-store growth this past quarter.

- Total general merchandise sales increased 4% in the quarter and were up 1% on a same-store basis.

- Online sales grew 21% over last year and accounted for roughly 9% of the company's total merchandise sales. Online sales are driven from storefront inventory and the company currently has over 50,000 items available for sale online.

- Pawn loan balances were $141 million at quarter-end, roughly flat to last year, as the company's customers continue to increase their use of general merchandise for collateral. The general merchandise loan balance grew 9% while the jewelry loan balance declined 8%. Transactions were up 3% and average loan size decreased approximately 8% compared to the same quarter last year. The average loan for general merchandise is roughly one-third that of an average jewelry loan.

- Redemption rates were 83%, up 100 basis points compared to a year ago, driven by a 200 basis point increase in the jewelry redemption rate to 87%, while the general merchandise redemption rate decreased 100 basis points to 75%.

- Segment contribution from the 52 Cash Converters stores in Canada and the U.S. improved by $0.7 million on a pre-tax basis in the quarter, and this operating unit crossed into profitability for the first time. The company continues to refine the model and expects continued profit growth for the rest of the year.

Financial Services —

- Total loan balances, net of reserves, were $58 million at quarter-end, a 20% increase over the same quarter last year. This increase was driven by solid growth at the company's 494 storefronts as well as the addition of its online channel acquired late in the first quarter of fiscal 2013. At quarter-end, the online loan balance was $3 million, 5% of the segment's total consumer loan balance. Loan balances in Texas cities affected by restrictive local ordinances declined 41% year-over-year.

- Loan fees were $49 million, up 10%. The gap in growth between loan balances and fees year-over-year is the result of lower yields driven by a competitive marketplace and regulatory impact. The company expects to continue to grow loan balances aggressively against declining yields.

- Bad debt as a percentage of fees was 32%, up 700 basis points. Approximately half of this increase reflects the impact of regulatory changes at the local and federal level. These changes will continue to negatively impact the profitability of the business. The remaining roughly 350 basis point decline was driven primarily by new store growth, most of which came outside of Texas, and the penetration of the company's online

channel. The company expects both of these impacts to moderate over the next several quarters as the new stores naturally mature and online bad debt continues its quarter-over-quarter improvement.

- The company also expects improved expense leverage within the business as it realizes the effects of cost savings initiatives launched in fiscal 2013. Improvements in underwriting and loan management systems and service and collection center consolidation are well underway and should be materially completed by the end of fiscal 2014.

Latin America

Payroll Withholding Lending —

- Total loan balances at the end of the quarter were $114 million, up 42%, driven primarily by significant growth in loan originations in existing contracts. The company also added or renewed 18 contracts in the quarter. Grupo Finmart now has 52 active contracts providing access to over 4 million customers.

- Net revenues were $32 million in the quarter, with bad debt as a percentage of fees of 10%, compared to a bad debt benefit of 9% in the prior year due to a large aged debt sale. Bad debt is expected to decline over the next several quarters to approximately 5% to 8% of loan fees.

Pawn —

- Pawn loan balances were $13 million, down 6%, with pawn service fees down 2% as Empeno Facil focused on better quality lending. Yield on the loan balance improved 1,200 basis points from 193% to 205%. General merchandise now accounts for 92% of the total loan portfolio compared to 89% a year ago.
- Merchandise sales increased 12% compared to last year with margins of 37%, down 500 basis points driven by aggressive pricing in an increasingly competitive marketplace. The company expects margins to continue to be pressured for the remainder of the year.

Other International

Online Lending —

- Cash Genie, the company's U.K. online lending business, showed improved performance in the quarter compared to the fourth quarter of last year. In the quarter the company narrowed its operating loss to under $2 million, a 51% improvement from the fourth quarter of fiscal 2013. New loans made during the quarter increased 28% and the

number of loans increased 25% over the immediately preceding quarter. Expense reduction initiatives in the U.K. have reduced costs by 18% quarter-over-quarter. The company expects these trends to continue for the remainder of the year.

Strategic Affiliates —

- The company's income from affiliates was down sharply, 75% year-over-year, driven primarily by profit decline at its non-controlled affiliate Albemarle & Bond. On January 27, 2014, Albemarle & Bond announced the termination of their formal sales process, and stated that there may be limited value attributable to the ordinary shares. As a result, EZCORP may be required to write off the remaining $7.9 million of its investment in the second quarter.

CEO Commentary

"The first quarter of fiscal 2014 represents a clear demarcation for us at EZCORP. We spent much of the last two years investing in new businesses and channels to diversify our business as we focus on serving our evolving customer. This diversification was also intended to seize emerging opportunities as well as insulate us from market shocks. We made those investments and in the third quarter of last year we exited certain legacy business models. Today we are solely focused on executing within the businesses and channels we have," said Mr. Rothamel.

"In the first quarter, our U.S. and Canada storefronts in pawn and financial services delivered 82% of our consolidated segment contribution while our Latin America operations delivered 14%. Our immature online lending channels and our strategic affiliate Albemarle & Bond were a drag to our segment contribution and net income.

"We expect year-over-year financial comparisons in the second quarter to be challenging as our U.S. pawn and financial services businesses continue to anniversary gold volume declines and regulatory changes respectively. Our online businesses will continue their quarter-over-quarter improvement, but will not cross into profitability until the third quarter. We expect year-over-year growth in Latin America and also expect to see expense leverage improvements as our expense control initiatives, begun in fiscal 2013, take hold.

"By the third quarter, we expect to see significant improvements in our year-over-year comparisons and the fourth quarter will show significant growth to the same quarter last year, as all of our operating segments and channels contribute to earnings.

"That run rate should then carry us to fiscal 2015 when we expect to deliver growth in all of our businesses with the online selling and lending channels growing fastest, followed by our Latin America businesses and our U.S. storefronts," added Rothamel.

24. On February 7, 2014, EZCORP filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal first quarter. The Company's Form 10-Q reaffirmed the Company's financial results previously announced on January 28, 2014.

25. On April 29, 2014, the Company issued a press release entitled, "EZCORP Reports Second Quarter Revenues of $260 Million." Therein, the Company, in relevant part, stated:

> *GAAP Earnings Per Share of $0.15, Adjusted Earnings Per Share of $0.36*
>
> EZCORP, Inc. (NASDAQ: EZPW), a leading provider of easy cash solutions for consumers, today announced its financial results for the second quarter of fiscal 2014.
>
> For the quarter, total revenues were $260 million, with net income of $8 million and earnings per share of $0.15. Excluding the negative impact of certain one-time charges discussed below, as well as minimal losses related to our immature online lending businesses, adjusted net income was $20 million and adjusted earnings per share were $0.36, both non-GAAP measures.
>
> Paul Rothamel, EZCORP's President and Chief Executive Officer, stated, "We are pleased with the continued momentum demonstrated in our core businesses. From an operations standpoint, the second quarter was consistent with the improving year-over-year revenue and expense trends that we reported in the first quarter. As we discussed previously, we expected these year-over-year financial comparisons to be challenging as our pawn and financial services businesses continue to anniversary gold volume declines and regulatory changes respectively. We also continue to believe those quarterly comparisons will improve significantly in the back half of the year.
>
> "We experienced very strong demand at our storefront jewelry business and saw continued growth in our online retail channel. Demand for our financial service offerings in the U.S. and Mexico was also very strong. Retail margins, jewelry scrap margins and bad debt provisions were all at, or ahead of, our expectations. Our expense reduction initiatives were also on track, delivering the quarter-on-quarter improvement that we expected. The demand for our products is greater

than it has ever been, as our customers have fewer alternatives to access immediate cash."

Consolidated Financial Highlights — Second Quarter of Fiscal 2014 vs. Prior Year Quarter

- Total revenues were $260 million compared to $268 million in the same period last year. Excluding an expected decrease in gold scrapping, total revenues were up 4%, driven by excellent jewelry sales and consumer loan fee growth in the United States and Mexico.

- Adjusted net income for the quarter was $20 million, net of the after-tax impacts of the Albemarle & Bond impairment charge ($6 million), the retirement benefit accrual for our long-time Executive Chairman ($6 million) and performance of our online businesses ($0.6 million).

- Earning assets, including CSO loans, were $417 million at quarter-end, an increase of 7%, as a result of growth in payroll withholding, installment and auto title loans, as well as inventory in the U.S.

- Cash and cash equivalents, including restricted cash, were $63 million at quarter-end, with debt of $228 million, including $145 million of Grupo Finmart third-party debt, which is non-recourse to EZCORP.

U.S. & Canada

Pawn —

- Total merchandise sales increased 4% in total and on a same-store basis driven by growth in storefront jewelry sales and strong online performance. Gross margin on merchandise sales remained strong at 39%. Both the merchandise sales and gross margin metrics compare favorably to the U.S. and Canadian marketplace for the quarter.

- Jewelry sales were very strong, increasing 27% in total and 25% on a same-store basis, with gross margin of 43%. Coupled with our strong performance in the first quarter, jewelry sales growth was 30% in total and 27% on a same-store basis for the first half of the fiscal year.

- Online sales grew 63% over the same quarter last year and accounted for roughly 8% of the segment's total merchandise sales. Gross margin remained strong at 44% as compared to 43% for the same quarter last year.

- Pawn loan balances were $113 million at quarter-end, down 6% in total, driven primarily by a decrease in average loan size related to jewelry. This expected decline moderated in April, and we expect pawn loan balances to stabilize and be roughly flat by the end of the year.

- Redemption rates were 85%, up 100 basis points compared to a year ago, driven by a 200 basis point increase in the jewelry redemption rate to 89%, while the general merchandise redemption rate remained flat at 79%.

Financial Services —

- Total loan balances including CSO loans, net of reserves, were $43 million at quarter-end, a 17% increase over the same quarter last year. This increase was driven by solid growth at our 500 storefronts as well as our online channel. For the quarter, including CSO loans, installment loans were up 77% and auto title loans grew 22% while traditional payday loans declined 12%.

- Loan fees were $46 million, up 8%. The gap in growth between loan balances and fees year-over-year is the result of a shift in product mix to lower yielding products driven by a competitive marketplace and regulatory impact. We expect to grow loan balances aggressively as consumer demand for our loan products remains high.

- Bad debt as a percentage of fees was 20%, up 500 basis points driven primarily by the impact of regulatory changes at the local and federal level. Secondarily, new store growth and the online penetration negatively impacted the year-over-year comparisons. We expect both of these factors to moderate over the next several quarters as the new stores naturally mature and online bad debt continues its quarter-over-quarter improvement.

Latin America

Payroll Withholding Lending —

- Total fees were $14 million, up 21% as compared to the same period last year.

- Total loan balances at the end of the quarter were $113 million, up 23%, driven primarily by significant growth in new loan originations and greater penetration in existing contracts. Grupo Finmart now has approximately 100 active contracts providing access to over 6 million customers.

- Bad debt as a percentage of fees was 3%, ahead of our expectations.

- Financing activities for the quarter included a structured asset sale by Grupo Finmart and a public securitization of a portion of its receivables. The asset sale accelerated $16 million in cash flow, which was received in April, as well as a $5 million gain included in "Other Revenues." The securitization of $56 million, our second securitization in twelve months, reduced the cost of capital for the receivables financed to 6.3%. We incurred approximately $1 million in expenses during the quarter associated with this securitization. We expect to continue to use these and other types of structured transactions to finance the rapidly growing Grupo Finmart business going forward.

Pawn —

- Pawn loan balances were $16 million, down 16%. Pawn service fees were down 7% during the quarter as Empeño Fácil focused on better quality lending. The yield on the loan balance improved 200 basis points to 200%.

- Empeño Fácil's merchandise sales decreased 1% compared to last year with margins of 38%. We expect to continue to see a challenging marketplace for the foreseeable future as more jewelry-only providers attempt to enter the general merchandise pawn market.

<u>Other International</u>

Online Lending —

- Cash Genie, our U.K. online lending business, reported a nominal operating loss, showing continued improvement as compared to an operating loss of approximately $2 million in the first quarter of fiscal 2014. We expect to spend nearly $1 million in the second half of the year in direct costs associated with the implementation of the new FCA regulations.

Strategic Affiliates —

- Our income from affiliates was down $4 million, 88% year-over-year. This decrease was driven by a profit decline at Cash Converters International in the first half of their fiscal year due to the effect of the transition to new regulatory requirements in Australia. Cash Converters recently announced significantly improved performance in their third fiscal quarter which will be reflected in our third quarter results. Income from affiliates was also impacted by a decrease from Albemarle & Bond as it is no longer reporting any earnings. In addition, we adjusted our remaining investment in Albemarle & Bond down to zero, resulting in a $6 million after-tax write off.

CEO Commentary

Mr. Rothamel added, "Historically, this time of year is a challenging time for our customers and their need for cash is very high. This usually manifests itself in rapidly growing loan balances at EZCORP, and this year is no different. In fact, based on what we are seeing from our customers, we continue to expect that our year-over-year financial comparisons will improve in the second half of the fiscal year.

"We will continue to focus on our day-to-day execution of our unique loan and retail offerings. We believe that we are well positioned in the marketplace to continue to differentiate ourselves to the sophisticated consumer. We are confident that our strategy and operational efforts will deliver strong shareholder returns over the long term."

26. The statements contained in ¶¶17-25 were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that the implementation of certain strategic and growth initiatives was less successful than represented; (2) that certain of the Company's business units and investments were not performing as well as represented; and (3) based on the foregoing, Defendants' positive statements about the Company's business, operations, and prospects, lacked a reasonable basis.

Disclosures at the End of the Class Period

27. On July 18, 2014, after the market closed, MS Pawn, the voting shareholder of EZCORP's class B voting common stock, issued a press release entitled, "Voting Shareholder of EZCORP Announces New Leadership." Therein, MS Pawn, in relevant part, stated:

The Voting Shareholder of EZCORP, Inc. (EZPW), a leading provider of easy cash solutions for consumers, today announced, effective immediately, the appointment of Lachlan P. Given as a director and non-Executive Chairman of the Board, and the removal of Paul Rothamel as Director, President and Chief Executive Officer, William Love as Chairman and Joseph Beal as Director. The actions were taken by MS Pawn Corporation, which is the Voting Shareholder and the beneficial owner of 100% of EZCORP's outstanding Class B Voting Common Stock, which it has owned since the Company was listed on NASDAQ in 1991. Phillip Ean Cohen owns 100% of the Voting Shareholder.

> Following these actions, the Board of Directors of EZCORP is comprised of four directors, including three currently serving directors, Pablos Lagos Espinosa, Santiago Creel Miranda and Charles A. Bauer. Executed shareholder consents have been delivered by the Voting Shareholder to effect the changes. The Company and the Voting Shareholder intend to announce the appointment of an Interim CEO shortly.
>
> Mr. Given said, "The changes to the composition of the Board and management have been made to address and significantly improve the operating and financial performance of EZCORP, to strengthen corporate and regulatory governance and to realign corporate strategies in support of all shareholder interests. We are confident that EZCORP will now be able to capitalize more effectively on its growth opportunities and return to creating significant value for its shareholders."
>
> Mr. Given continued, "I look forward to working with and expanding the Board and management team of EZCORP in order to achieve its full potential. As representatives of all EZCORP shareholders, the Board will refocus on guiding and overseeing the execution of the Company's corporate strategy in order to pursue existing and emerging domestic and global opportunities in specialty finance and non-standard banking."
>
> Mr. Given noted that Madison Park, LLC, a business and financial advisory firm, is not seeking the reinstatement of the advisory service arrangement with EZCORP at this time.
>
> The Voting Shareholder also today announced the amendment of the Company's bylaws. Additional information regarding the bylaw amendments will be filed with the Securities and Exchange Commission on Form 8-K.
>
> Skadden, Arps, Slate, Meagher & Flom LLP is serving as legal advisor to the Voting Shareholder.

28. On July 21, 2014, before the market opened, EZCORP issued a press release entitled, "EZCORP Announces Appointment of CFO Mark Kuchenrither as Interim CEO and President." Therein, the Company, in relevant part, stated:

> EZCORP, Inc. (EZPW), a leading provider of easy cash solutions for consumers, today announced that effective immediately, Mark Kuchenrither, Chief Financial Officer of EZCORP, has been appointed interim Chief Executive Officer and President by MS Pawn Limited Partnership, which is the Voting Shareholder and the beneficial owner of 100% of EZCORP's outstanding Class B Voting Common Stock. Mr. Kuchenrither will remain Chief Financial Officer.

> Lachlan P. Given, Chairman of the EZCORP Board of Directors, said, "We are fortunate to have someone with Mark's extensive operational, financial and leadership experience ready to assume the role of interim CEO at this important juncture for the Company. Mark recently took on leadership of EZCORP's Financial Services business and he is the right person to lead EZCORP while we search for a permanent replacement to fill the CEO role."
>
> Mark Kuchenrither said, "We have many opportunities ahead and I look forward to engaging with the Company's customers, employees, shareholders and other stakeholders in the coming weeks. Most importantly, I am confident in our team's ability to execute and provide our customers with the great service that they have come to expect from us."
>
> The Company also today announced that Charles A. Bauer, who joined the EZCORP Board of Directors in May, has resigned.
>
> EZCORP is carefully reviewing a number of highly qualified candidates to add to its current Board of Directors, including qualified independents to serve on its Audit Committee.

29. On this news, shares of EZCORP declined $1.36 per share, to close on July 21, 2014, at $9.76 per share, on unusually heavy volume.

CLASS ACTION ALLEGATIONS

30. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all those who purchased EZCORP's securities between April 30, 2013 and July 18, 2014, inclusive (the "Class Period") and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

31. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, EZCORP's securities were actively traded on the Nasdaq Stock Market (the "NASDAQ"). While the exact number of Class members is unknown

to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Millions of EZCORP shares were traded publicly during the Class Period on the NASDAQ. As of March 31, 2014, EZCORP had 51,411,973 shares of Class A Non-voting common stock outstanding and 2,970,171 shares of Class B Voting common stock outstanding. Record owners and other members of the Class may be identified from records maintained by EZCORP or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

32. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

33. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

34. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of EZCORP; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

35. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

36. The market for EZCORP's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, EZCORP's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired EZCORP's securities relying upon the integrity of the market price of the Company's securities and market information relating to EZCORP, and have been damaged thereby.

37. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of EZCORP's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. Said statements and omissions were materially false and/or misleading in that they failed to disclose material adverse information and/or misrepresented the truth about EZCORP's business, operations, and prospects as alleged herein.

38. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or

misleading statements about EZCORP's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

39. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

40. During the Class Period, Plaintiff and the Class purchased EZCORP's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

41. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding EZCORP, his/her control over, and/or

receipt and/or modification of EZCORP's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning EZCORP, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)

42. The market for EZCORP's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, EZCORP's securities traded at artificially inflated prices during the Class Period. On May 30, 2013, the Company's stock closed at a Class Period high of $19.74 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of EZCORP's securities and market information relating to EZCORP, and have been damaged thereby.

43. During the Class Period, the artificial inflation of EZCORP's stock was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about EZCORP's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of EZCORP and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company stock. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

44. At all relevant times, the market for EZCORP's securities was an efficient market for the following reasons, among others:

(a) EZCORP stock met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, EZCORP filed periodic public reports with the SEC and/or the NASDAQ;

(c) EZCORP regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) EZCORP was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

45. As a result of the foregoing, the market for EZCORP's securities promptly digested current information regarding EZCORP from all publicly available sources and reflected such information in EZCORP's stock price. Under these circumstances, all purchasers of EZCORP's securities during the Class Period suffered similar injury through their purchase of EZCORP's securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

46. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.

The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of EZCORP who knew that the statement was false when made.

FIRST CLAIM
Violation of Section 10(b) of The Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

47. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

48. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase EZCORP's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

49. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the

statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for EZCORP's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

50. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about EZCORP's financial well-being and prospects, as specified herein.

51. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of EZCORP's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about EZCORP and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

52. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their

responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

53. The defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them, including, among other things, that certain of the Company's subsidiaries or business units were engaged in improper business practices and misrepresented the financial results, performance, and value of the Company's business units and equity investments. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing EZCORP's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

54. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of EZCORP's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired EZCORP's securities during the Class Period at artificially high prices and were damaged thereby.

55. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that EZCORP was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their EZCORP securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

56. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

57. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM
Violation of Section 20(a) of
The Exchange Act Against the Individual Defendants

58. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

59. The Individual Defendants acted as controlling persons of EZCORP within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

60. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

61. As set forth above, EZCORP and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct,

Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: August 22, 2014

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SWORN CERTIFICATION OF PLAINTIFF
EZCORP, INC. SECURITIES LITIGATION

I, Jason Close, certify that:
[Please Print Your Name]

1. I have reviewed the Complaint and authorized its filing.

2. I did not purchase EZCorp, Inc., the security that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under the federal securities laws.

3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.

4. My transactions in EZCorp, Inc. are listed on the attached exhibit during the Class Period.

5. I have not served as a representative party on behalf of a class under federal securities laws during the last three years.

6. I will not accept any payment for serving as a representative party, except to receive my pro-rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: 8-20-14

Jason Close
[Please Sign Your Name Above]

Jason Close's Transactions in EZ Corp, Inc (EZPW)			
Transaction Type	**Date**	**Shares**	**Price**
BUY	4/28/2014	100	$10.985